

46.

Articulating Family Principles about Credit

OBJECTIVE: Participants will develop their own guiding principles for the use of credit in their families.

TIME: 60 minutes, providing about 10 minutes to introduce the activity, 30 minutes for the participants to carry out the activity, and 20 minutes for reporting out and discussion.

NOTE TO TRAINER:

This activity is specifically for families or couples. If you don't have families or couples in your training and workshop, this activity might be nice for participants to do at home with their families. You can then set up time in a subsequent class for IDA participants to report back their family principles.

MATERIALS:

Handouts

Pen and paper for family scribe

Flipcharts and markers for displaying credit principles in larger format for presentation back to group

TALKING POINTS:

Most people in the US are bombarded with credit offers. We receive mailings for credit cards, see “EZ Credit” commercials and advertisements on billboards and TV, and receive appealing offers for store credit while we are shopping. Each adult member of the family is asked to make credit decisions on a daily basis. And more and more, children are also being targeted for credit cards.

Developing family principles about credit can be especially helpful. By creating guidelines together about how the family wants to use credit, individual family members will be empowered to make good credit decisions for the entire family, even while being invited to apply for or use more credit. When we state what our principles are on a matter, we are trying to communicate what we most value on that matter. This allows us to lay the groundwork for future decisions and to review how we want to manage this area of our lives.

ACTIVITY:

After the initial introduction, break the class into family groups to create their family principles about credit. Hand out the activity sheets provided below. Review the instructions for the activity as written on the handout, and review the sample provided as well. Give participants 30 minutes to review the discussion questions and create their principles. Float around the room and answer questions when asked. Reconvene as a large group after 30 minutes, and have the family scribe report family principles to the larger group.

HANDOUT: Creating Credit Principles for Our Family

Directions:

Your family will work together to create family principles for using credit. For each area of credit, review the discussion questions provided, allow all members of the family to answer each question, and then decide together what statement you want to make that can serve as a guideline for your entire family in making credit decisions for that area.

This may be an involved discussion for your family; there may be several areas where people disagree. So, please allow everyone to share honestly and work towards achieving family consensus.

Here is a sample used by another family, to give you a sense of how these principles might look or sound:

The Smith Family Credit Principles

- 1) **Credit is a means for acquiring important things in a convenient way; it is not the key to living outside our means. We do not believe in living outside our means.**
- 2) **We will discuss as a family before we apply for credit and credit cards, and we won't apply for more credit than we need.**
- 3) **Paying bills on time is critical for us to maintain good credit.**
- 4) **Having a good credit history is important: Each adult in the Smith family will have one individually-owned credit card.**
- 5) **Passing on to the next generation is important: We will manage our debt so that it does not burden our children.**

How to Create a Principle: A principle is generally not too specific (It does not say, for example, that the Smiths will pay their Visa bill by the 10th of each month.) But a principle states values that you hold and how those values will shape the family members' behaviors (e.g., each adult will have a separate credit card to establish credit history BECAUSE a good credit history is important). The most important thing is that you feel these principles reflect who you are and state what you want, in your own words.

HANDOUT: Family Discussion Questions

Use of Credit

- What are your typical reasons for using a credit card, day to day?
- What types of expenses are okay for using a credit card?
- How many credit cards do you want to have open at any given time?

(include department store cards and gas cards in this as well)

The _____ Family Principles on the Use of Credit:

1)

2)

Payment of Bills

- What is the ideal monthly payment for a credit card bill - minimum balance, more than minimum, paying the balance in full, or less than the minimum?
- What is your typical monthly payment for credit card bills? (compare with the “ideals” above)
- When do you typically pay your credit card bills -- before the due date, on the due date, or after the due date?
- Do you think that paying these bills on time is important? Do you believe that it affects your overall credit record and rating?

The _____ Family Principles on the Payment of Bills:

1)

2)

HANDOUT: Family Discussion Questions

Credit Ownership

- Do you have any concerns about sharing responsibility for each other's debt?
- Does one of you manage debt better than the other?
- Do you see value in maintaining some separate accounts to establish individual credit histories?

The _____ Family Principles on Credit Ownership:

1)

2)

Learning about Credit

- Assess your overall knowledge about credit and how it works (know a lot, know some, know very little, or know nothing).
- How important is continuing to learn about credit management for you?
- What is the practical value of learning about credit, if any?

The _____ Family Principles on Learning about Credit:

1)

2)

Credit and the Next Generation

- What mistakes would you want to make sure your children avoid when using credit?
- What good habits would you like your children to learn about credit?
- What are you doing to show your children good credit behaviors?

The _____ Family Principles on Credit and the Next Generation:

1)

2)

Now, please summarize all the credit principles for your family on one page. Post this page somewhere prominently in the house as a reminder, such as on the refrigerator.

Credit Principles

1.

2.

3.

4.

5.

6.

7.

8.